

» Shaking up the Appraisal System

Few of us like the idea of having our performance scrutinised by others, yet the use of performance reviews or appraisals are a reality of our daily working lives. However, their degree of effectiveness is still contested. Many suggest that appraisals should be completely abolished as they fail to achieve their well-intentioned purposes and only succeed in disengaging and demoralising people. Others claim that appraisals, when well implemented, are surprisingly effective and problem-free. But who is right?

Previous research has found data supporting both camps. But new studies are starting to conclude that the value of appraisals is utterly relative. They may be useful in one organisation and useless or even dysfunctional in another. Performance appraisals are not fit for all. So the question to ask is not, are appraisals effective, but rather, under what circumstances are they effective?

How successful a performance appraisal system is can be linked to a number of factors. One of these factors is the nature of the outcomes that the appraisal system is due to assess. Outcomes are the driving force of an organisation. They are the purpose or reason for its existence and somewhat synonymous with the term mission. For instance, Google's ultimate

outcome is 'to organise the world's information and make it universally accessible and useful'. To deliver this mission, Google has different units and teams: engineering, sales, technical infrastructure and knowledge among others. Each of them with their own outcomes aligned to the overall one.

Outcomes may be tangible or intangible. Tangible outcomes (like profit maximisation) are likely to make performance appraisals more effective, as their measurement and evaluation facilitates decision-making and problem solving. The consequences of managerial action are more objectively and easily assessed as they are reflected in the numbers. Intangible outcomes (for example, to provide the best care for each patient) are difficult to measure and usually long-term oriented. Due to their lack of measurability they tend to be substituted by performance indicators which are measurable. As soon as indicators are adopted, people focus on them, not necessarily on the real outcomes. Indicators may improve but real outcomes may be unaffected or never attained. In general, performance appraisals in organisations with intangible outcomes are largely ineffective.

A second factor that may affect the success of a performance appraisal is

the type of motivation needed to better deliver the organisation's expected outcomes. Intangible outcomes are best attained by people who have an intrinsic interest in the outcomes themselves. They enjoy performing the tasks that lead to them. For these people, performance appraisals are demotivating, a waste of time and get in the way of what they really like doing, which is to perform well at their job. Intrinsically motivated individuals are self-managed and their high performance can be best achieved by helping them gain: a sense of purpose - by making sure they know where the organisation is heading and how they can best contribute to its success; a sense of freedom - by providing them with autonomy to perform their jobs in the way they think most appropriate; a sense of growth - by helping them feel that they are progressing in the endeavours they undertake; and a sense of community - by providing them with a nurturing, trustworthy and supporting context.

People who are extrinsically motivated and driven by external rewards such as money, status, recognition or promotions best attain tangible outcomes. To these individuals, rewards provide greater satisfaction than the outcomes themselves. For them performance appraisals are likely to be effective, especially for high and low performers. High performers

will find appraisals useful, as they will perceive the good feedback as a reward. Low performers will also find them useful, as the feedback will help them to better understand what they need to do to improve. Average performers may be the ones less benefited by appraisals, as the overall rewards attained from them may be insignificant.

Performance appraisals may work effectively in organisations where outcomes are tangible and the workforce is extrinsically motivated. If your organisation is aiming to attain primarily intangible outcomes for which the intrinsic motivation of individuals is key; then think twice about the money and time you are using to keep the performance appraisal system working. This money and time could be better spent on other things that could really make a difference. **MF**

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